J.J. NEWBERRY CO.

Annual Report 1969

FOR YEAR ENDING JANUARY 31, 1970

About Newberrys...

	UNITED STATES
Britts	Full line department stores
Newberrys	Department and variety stores and fabric shops
Hesteds	Department and variety stores
Lee's	Department and variety stores
Maternally yours	Maternity Fashion shops
Taylors	Ladies' dress shop
TRADEHOME SHOES	Family Shoe Stores
Wm. Tally House	Free standing restaurants and cafeterias
Holland House	Free standing restaurants and cafeterias
	CANADA
UNITED	Department and variety stores
Britts	Full line department stores
OSLINDS	Women's specialty shops
Sweet Sixteen	Women's specialty shops
Albertinos	Family Shoe Stores
Harrison	Drapery and Fabric shops
McArthur's	Ladies Wear

Comparative Highlights

	1969‡	1968‡
Sales	$400,589,870	$376,098,046
Net Earnings	$ 5,073,229	$ 5,456,641
Earnings Per Common Share:		
Primary	$ 2.40	$ 2.59
Fully Diluted	$ 2.25	
Dividends Per Common Share	$ 1.00	$ .80
Depreciation and Amortization	$ 4,453,000	$ 4,045,000
Working Capital	$ 66,422,849	$ 59,128,364
Current Ratio	2.5 to 1	2.4 to 1
Common Stockholders' Equity	$ 75,849,999	$ 73,035,246
Book Value Per Common Share	$38.61	$37.19
Number of Units at Year-end:		
United States	562	511
Canada	185	153

‡Years which end January 31st of the subsequent year.

The common and preferred stocks of J. J. Newberry Co. are listed on the New York Stock Exchange.

The annual meeting of stockholders will be held at the Prince George Hotel (28th Street east of 5th Avenue) New York City at 11 A.M. on Tuesday, June 9, 1970.

Contents

To Our Shareholders:

For the fiscal year ended January 31, 1970, sales rose to a record high of $400,589,870, compared to $376,098,046 for the prior fiscal year. This 6.5% gain was primarily due to a greater number of stores in operation.

Net income was $5,073,229, equivalent to primary earnings per share of $2.40 compared to $5,456,641 or $2.59 a share for the year ended January 31, 1969.

This decrease in net income is due to losses sustained by two of our Canadian chains, which offset increased earnings in the United States. Indeed, for the year ended January 31, 1970, primary earnings per share from United States operations rose to $2.97, compared to $2.53 for the prior fiscal year, a gain of 17.4%. On the other hand, Canadian operations showed a loss of 57 cents per share in fiscal 1970, compared to a profit of 6 cents for the prior fiscal year, principally because of inventory and personnel problems of United Stores and Oslind Shoppes.

These problems, however, are being solved. What is more, our Canadian division has been reorganized and Leslie A. Raphael is now Vice President in charge of all Newberry's Canadian operations. He is also President of Sweet Sixteen, a highly successful chain which Newberry acquired in 1968.

With 1969 behind us, we are entering the decade of the seventies with profound optimism, despite present economic uncertainty which we are confident will soon abate. Financially, and in other aspects, we are in a much stronger position than at any time in our history, and we are well prepared to take advantage of the many profitable opportunities that lie ahead.

Specialty Store Acquisitions

In 1969, your company, in addition to expanding internally, made some important specialty store acquisitions which have broadened our retail base both in the United States and Canada They include:

- **Maternally Yours, Inc.** This specialty chain which sells fashion apparel for expectant mothers, now operates thirteen units in the New York metropolitan area.
- **Harrison's Famous Fabrics, Ltd.** The success of Newberry's Fabric Shops in the United States prompted us to expand into this type of operation in Canada. Harrison's Famous Fabrics operates fifteen stores, thirteen in Greater Montreal and two in Quebec.
- **Tradehome Shoe Stores, Inc.** of St. Paul. This chain operates thirty-one family shoe stores principally in the states of Minnesota, Wisconsin, North Dakota, South Dakota and Iowa.
- **Albertino's Shoes, Ltd.** of Edmonton, Canada, which operates six stores in the rapidly growing province of Alberta.
- **McArthur's Ladies Wear, Ltd.** of Edmonton, Canada. This is a six store ladies' ready-to-wear chain.

For years Newberry stores have sold shoes and related accessories for every member of the family, maternity wear, apparel and fabrics. However, we see an exceptionally bright future for specialty shops selling these specific types of merchandise. Consequently, we anticipate expanding the chains we now operate and intend to seek others.

Internal Expansion

At the beginning of 1969, J. J. Newberry Co. operated 664 units in the United States and Canada. During the year, 68 units were added through the acquisition of five chains, 34 new units were opened and 19 old unprofitable stores were closed. Consequently, at the end of the last fiscal year, a total of 747 units were in operation, or a gain of 83 over the prior year. In addition, 18 stores were refurbished and modernized.

The 34 new units opened in 1969, were all in prime locations. Twenty one in the United States included 3 Britts Department Stores, 12 Fabric Shops, 5 free standing restaurants and 1 Tradehome shoe store. The 13 new Canadian units included 4 Oslind Shoppes, 6 Sweet Sixteen, 1 McArthur's Ladies Wear, 1 Albertino's Shoes and 1 Britts Department Store.

Our 1970 internal expansion program is quite ambitious, and we have made commitments for the opening of 66 new stores, plus 10 units in the food service field. Most are in shopping centers or other highly desirable areas. Whether we can attain our

objective will depend on the ability of builders and developers–with whom we have signed leases on most of the locations–to deliver the completed buildings on schedule, still a difficult task because of tight money market conditions.

Assuming that builders will meet their commitments, 23 new units will be opened in Canada, including 2 Britts Department Stores, 4 Oslind Shoppes, 7 Sweet Sixteen, 2 McArthur's Ladies Wear, 4 Albertino's Shoes and 4 Harrison Fabric Stores. Included in the 43 retail units expected to be opened in the United States, are 8 Britts Department Stores, 3 Newberry Department Stores, 5 Variety Stores, 20 Fabric Shops, 3 Maternally Yours Stores, 3 Tradehome Shoe Stores and 1 Lee's Discount Store, which is discussed in the section that follows.

Discount Stores

A field which we have long felt provides profitable opportunities is "discounting", but the cost of purchasing a well managed existing chain has been prohibitive. Hence we are going ahead on our own through the formation of Lee's Discount Department Store Division which will operate autonomously within the Newberry organization.

The first such store will be located in suburban Aiken, South Carolina and we expect to open it this Fall.

This new division has already developed a program embodying unique marketing techniques designed to assure continued growth for our discount stores. Three more are expected to be opened before the end of 1971 and we hope to have a discount chain of at least 15 by 1975.

Dividends

During the fiscal year ended January 31, 1970, regular quarterly dividends of 25 cents per common share, or a total of $1 for the year, were declared. This represents an increase of 25% over the prior fiscal year.

In addition, the regular quarterly dividends on preferred shares were declared.

Looking Ahead

The soaring seventies—as some economists are calling the current decade—will be a most challenging period in retailing history. Population growth, changes in the composition of our population, greater middle class influence resulting in increased spending, more marriages creating millions of new homes, greater interest in fashion, and far more leisure time, are but a few of the factors that will have a very favorable impact on retailing. Understandably, Newberry's has evolved long term plans, along with those for the short term and middle range, to meet the challenge that these demographic and sociological changes will demand in the seventies.

- Our retailing operations are sufficiently diversified to meet the ever growing needs of millions of individuals and families to whom we cater.
- Our merchandising staffs are particularly aware of greater demands for fashion merchandise and are constantly on the alert to provide the latest styles.
- Our food operations are being accelerated in keeping with increased "eating out" near homes and on the highways.
- Our financial position is excellent. One reason is the issuance of $10 million, 6½% convertible subordinated debentures due August 1, 1994. This financing is being used primarily for our expansion and modernization programs.

In January 1969, D. S. Campbell was elected President of our Company. However, due to a progressively worsening health problem, he deemed it advisable to tender his resignation to the Board of Directors, which was regretfully accepted in March, 1970.

Again we want to express our appreciation to the many thousands of dedicated people in our Company whose loyalty and continued efforts should ensure your company's profitable progress this year and in the years ahead.

Respectfully submitted,

April 13, 1970

W C Straus

Walter C. Straus
President


Coral Ridge Room

Department Stores

Britts

The 28 Britts Department Stores are replete with top American brand names. All are fashion oriented. They also carry the best brands in gift lines, housewares, appliances, domestic and hardlines.

Some Britts Department Stores are located in cities such as Los Angeles, St. Louis, Houston, or Ft. Lauderdale. But there are many in small communities where consumers also have a preference for larger stores and like to purchase prestige brands. Scheduled for opening in 1970 are eight new Britts Department Stores, in Winchester and Danville, Kentucky; Sikeston, Missouri; Tupelo, Mississippi; Bryan, Texas; Anniston, Alabama; Muncie, Indiana; and Merced, California.

Newberry

Like Britts, the Newberry Department Stores are also family fashion centers, but they carry Newberrys own carefully tested brands, which are promoted under a strong value-pricing structure. This has profound appeal, particularly in areas of high density population, where most of the new stores will be located. In 1970, three are slated to be opened, in Saugus and San Jose, California and in Texarkana, Texas. Like all other Newberry Department Stores, they will carry in addition to fashion merchandise a wide range of other lines.

The "fashion-for-the-family" image projected by Newberry department stores advertising is supported by coordinated merchandising displays in the stores themselves. Today, even children are style-conscious and clothing geared to both their tastes and fundamental needs is exhibited prominently.

Variety Stores

Newberry Variety Stores have broken away from the old mold. The 270 stores now operated have but one traditional characteristic—convenience shopping, yet in all other respects they have a new atmosphere, a new-look, and an ever growing variety of new items.

Some stores are in downtown areas of large cities, others in smaller localities.
Each is geared merchandise-wise to the particular needs of a community. Often, therefore, a Newberry variety store in California, for instance, may have little resemblance to one in Alabama. But each will have available what patrons can buy conveniently.


EASY

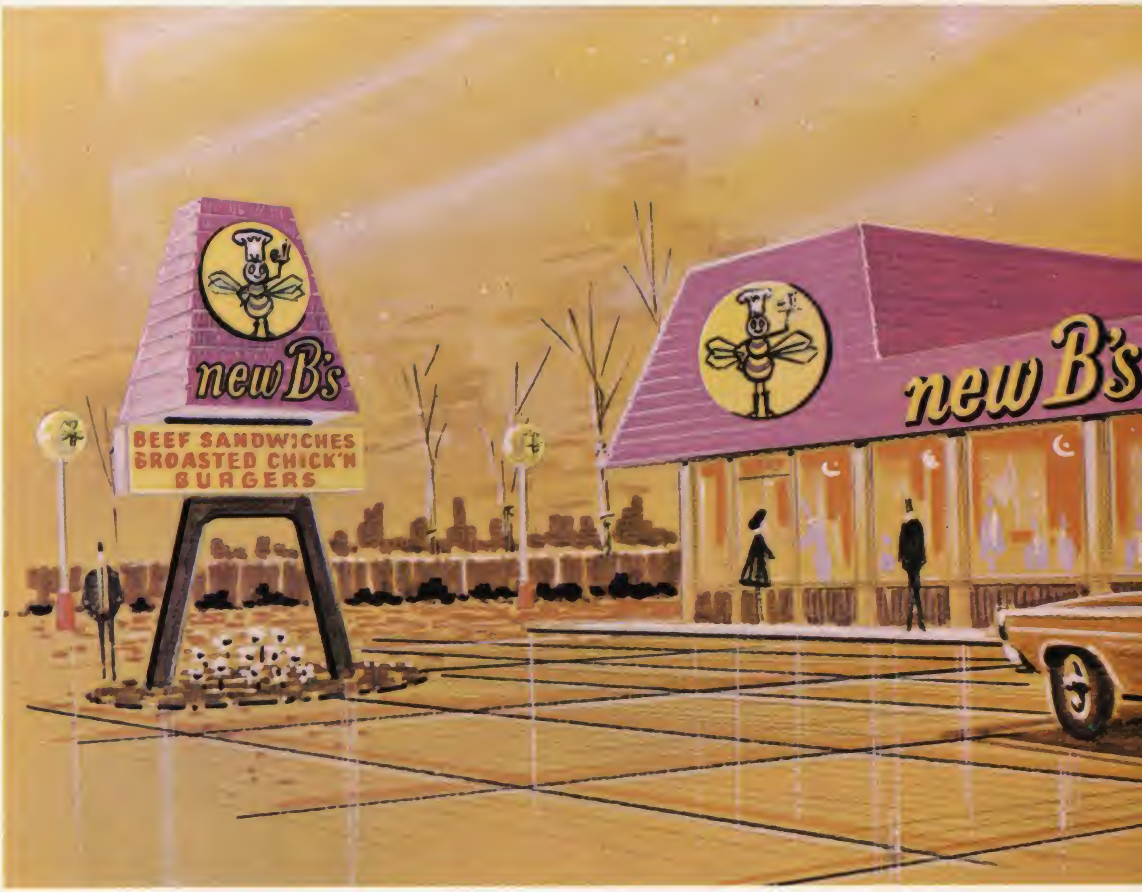
Specialty Shops

While surveys indicate that a great many people like department stores, there has always been—more so in recent years—a decided preference for specialty shops, which have their own individuality. One example is Newberry's Fabric Shops, the first of which was opened in late 1968.

The fabric shop division now has 15 units, all enjoying rapid growth because of the home sewing boom. Besides selling fabrics, the stores provide fashion guidance, special libraries and periodic fashion shows. Further expansion will be rapid, with 20 new fabric shops scheduled to be opened in the United States this year.

Maternally Yours is another example of Newberry's interest in specialty shops. This chain, with 13 units in greater New York, caters to fashion minded expectant mothers. Acquired in 1969, the chain expects to expand into other high population areas.

Last year, Newberrys also entered the retail shoe field with the purchase of Tradehome Shoe Stores, Inc. of St. Paul which operates 31 stores principally in the states of Minnesota, Wisconsin, North Dakota, South Dakota and Iowa. This chain carries many well known brands, as well as its own, for all members of the family.



Food Service

From a 20 cent frankfurter to a five dollar steak, well over 35 million people were served last year by Newberrys. Long known as a "good place to eat", about 350 stores have either a snack bar or coffee shop.

In addition, the Company operates 17 free standing restaurants or cafeterias (not located within a store) called Holland House in the West and Wm. Tally House in the East. Five of those units were opened in 1969 and are located in Escondido, California; No. Adams, Massachusetts; York, Pennsylvania; and in Naples and Pensacola, Florida. Ten additional units are expected to be opened in 1970.

At the end of this year, Newberry's should therefore have 27 such units, some with cocktail bars, and all serving a wide variety of a la carte items and full course dinners.

To provide up to date menus and to insure quality

foods, Newberrys has a modern test kitchen in its New York office. Says William H. Jones, Vice President in charge of Food Services: "We use a constantly-changing taste panel of from eight to twelve employees. If they approve a product or recipe, we test it in four or five cafeterias or restaurants before going into all of them."

True, more and more people are patronizing good restaurants where they can eat leisurely, or cafeterias where they can eat at a faster pace. But with half the population under 30 today, Newberrys is now aiming for their type of food operation—fast service. The first such type of unit, a drive-in called newB's, selling Burgers, Beef sandwiches and Broasted chicken, is expected to be opened this year (picture above). Many more newB's units should doubtless dot the highways, in the decade ahead.

Canada

Newberry's north of the border retail operations—started with the purchase in 1967 of the 31 unit Montreal based United Stores chain—are now highly diversified. Besides opening a full line Britts department store, in Rimouski, Quebec, six acquisitions were made. Among them, were two well known women's specialty store chains, the 64 unit Oslind Shoppes, operating in the provinces of Ontario and Quebec; and the 63 unit Sweet Sixteen Ltd., operating principally in the western provinces of Alberta and British Columbia.

Acquisitions in 1969 included Albertino's Shoes, Ltd. and McArthurs Ladies Wear, Ltd. both of Edmonton and Harrison's Famous Fabrics Ltd., of Montreal. (These three acquisitions are discussed briefly in another section of this report.)

J. J. Newberry Company now has 185 units in Canada, with 24 more planned to be opened this year.

As we enter the new decade, Canada, like the United States, should flourish and greater affluence should result in increased spending. The "retail mix" we have in that country augurs well for our profitable growth despite the set-back experienced in 1969 due to losses sustained by United Stores and Oslind Shoppes.

As we previously pointed out, our Canadian division has been reorganized and there are already definite indications that pitfalls are being eliminated. It is our expectation that, before the end of this year, our over-all Canadian operations will show some profits and that earnings will increase steadily thereafter.

Just as we provided some ideas for Canada—the opening of a full line Britts department store is one example—we may, because of the success of the Sweet Sixteen Canadian chain (specializing in ladies ready to wear apparel), eventually open similar types of stores in the United States.

The 63 Sweet Sixteen stores operate in Western Canada and have unusual appeal to fashion conscious young women (and older ones who feel young). Rapidly expanding, the chain expects to open more units, especially in Eastern Canada. But that isn't all. Sweet Sixteen has also opened additional stores called Niki, which cater, in the main, to teenagers. Amidst rock and roll recordings their sales are also striking a happy note.

Newberrys
747 Units in the United States and Canada

DISTRIBUTION CENTERS
Woodside, New York
Omaha, Nebraska
Los Angeles, California
Montreal, Canada

BRITTS
DEPARTMENT STORE DIVISION

Britts (B)	25
Taylors (T)	1
	26

NEWBERRY
DEPARTMENT STORE DIVISION

Newberrys	178
Hested (H)	11
Lee (L)	1
	190

NEWBERRY
VARIETY STORE DIVISION

Newberry	203
Hested (H)	49
Lee (L)	18
	270

FREE STANDING
RESTAURANTS & CAFETERIAS

Wm. Tally House (WT)	12
Holland House (HH)	5
	17

NEWBERRY
FABRIC SHOPS DIVISION

Fabric Shops (F)	15

SUBSIDIARIES

Maternally Yours (M)	13
Tradehome Shoes (TH)	31
	44

CANADA

United Stores (U)	31
Oslind Shoppes (O)	64
Sweet Sixteen (S)	63
McArthur's Ladies Wear (McA)	6
Albertino's Shoes (A)	6
Harrison's Fabrics (HA)	15
	185

United States

ALABAMA 5
Birmingham (2)
Birmingham (T)
Birmingham (HH)
Dothan

ARIZONA 6
Douglas
Mesa
Phoenix (4)

ARKANSAS 1
Hot Springs

CALIFORNIA 82
Alhambra
Alhambra (B)
Bakersfield (2)
Bell
Beverly Hills
Brawley
Buena Park
Burbank (2)
Compton (3)
Compton (HH)
Culver City
Downey
Escondido (HH)
Fresno
Garden Grove
Glendora
Granada Hills
Hollywood
Huntington Park
Inglewood
LaMirada
Long Beach
Los Angeles (F)
Los Angeles (14)
Los Angeles (HH)
Los Angeles (B)
Merced
Millbrae (B)
Monterey Park
Norwalk
Oakland
Ontario
Palos Verdes Peninsula
Pomona
Porterville
Redondo Beach (2)
Reseda
Salinas
San Diego (4)
San Francisco
San Jose
San Mateo
San Pablo
San Pedro (2)
Santa Ana
Santa Barbara
Santa Monica (2)
Stockton
Sunland
Sunnyvale
Thousand Oaks
Torrance (2)
Valleio
Van Nuys
Ventura
Visalia
West Covina
Whittier

COLORADO 21
Alamosa (H)
Arvada (H)
Aurora (H)
Craig (H)
Delta (H)
Denver (5) (H)
Florence (H)
Fort Collins (H)
Glenwood Springs (H)
Golden (H)
Grand Junction (H)
Greeley (2) (H)
Monte Vista (H)
Pueblo
Rocky Ford (H)
Sterling (H)

CONNECTICUT 2
Hartford
Torrington

FLORIDA 10
Bradenton (WT)
Deerfield Beach (WT)
Ft. Lauderdale (B)
Ft. Meyers (WT)
Naples (WT)
Pensacola
Pensacola (WT)
Sea Ranch (WT)
Tallahassee (WT)
Tarpon Springs (WT)

GEORGIA 3
Atlanta
Columbus
Macon

IDAHO 5
Boise
Idaho Falls
Lewiston
Pocatello
Twin Falls

ILLINOIS 8
Caton
Collinsville
Granite City
Litchfield
Macomb
Melrose Park
Rock Island
West Frankfort

INDIANA 12
Auburn
Connersville
Decatur
East Chicago
Goshen
Hammond
Hartford City
Indiana Harbor
Jasper
Marion
Martinsville
Whiting

IOWA 9
Carroll (L)
Denison (L)
Duburgue (TH)
Glenwood (L)
Marshalltown (TH)
Mason City (TH)
Muscatine (TH)
Ottumwa (TH)
Storm Lake (L)

KANSAS 3
Coffeyville
Marysville (H)
Parsons

KENTUCKY 22
Bardstown
Central City
Corbin
Cynthiana
Danville
Elizabethtown
Frankfort
Glasgow
Harlan
Harrodsburg
Hazard
Henderson
Lebanon
Mayfield
Mt. Sterling
Owensboro
Paris
Pineville
Richmond
Richmond (B)
Somerset
Winchester

MAINE 18
Brunswick
Calais
Caribou
Dover-Foxcroft
Eastport
Ellsworth
Ellsworth (B)
Farmington
Fort Kent
Lincoln
Madawaska
Mars Hill
Millinocket
Norway
Presque Isle
Rockland
Rumford
Van Buren

MARYLAND 5
Annapolis (B)
Brunswick
Elkton
Hagerstown
Pocomoke City

MASSACHUSETTS 19
Bridegewater
Chelsea
Fall River
Falmouth
Franklin
Gardner
Haverhill
Newburyport
North Adams
North Adams (WT)
Northampton
North Attleboro
Peabody
Pittsfield
Stoughton
Wakefield
Westfield
Westfield (F)
Whitman

MICHIGAN 7
Alma
Calumet
Houghton
Iron River
Ishpeming
Ludington
Three Rivers

MINNESOTA 10
Albert Lea (TH)
Austin (TH)
Fergus Falls (TH)
Mankato (TH)
Marshall (TH)
Moorhead
Rochester (TH)
St. Cloud (TH)
Willmar (TH)
Winona (TH)

MISSISSIPPI 3
Biloxi
Biloxi (WT)
Meridian

MISSOURI 9
Columbia
Excelsior Springs
Kansas City
Maplewood
Poplar Bluff
Richmond Heights
St. Louis (B)
St. Louis
Springfield

MONTANA 4
Billings
Great Falls (H)
Hardin (H)
Missoula

NEBRASKA 42
Ainsworth (L)
Albion (L)
Alliance (H)
Auburn (H)
Aurora (H)
Beatrice (H)
Bellevue (H)
Broken Bow (H)
Central City (H)
Chadron (H)
Columbus (TH)
David City (L)
Fairbury (H)
Falls City (H)
Geneva (H)
Gering (H)
Gordon (L)
Grand Island (H)
Grand Island
Hastings (H)
Hebron (H)
Holdrege (H)
Kimball (H)
McCook (H)
Minden (H)
Nebraska City (H)
Neligh (H)
Norfolk (H)
Ogallala (L)
Omaha (4) (H)
O'Neill (L)
Ord (L)
Ralston (H)
Sidney (L)
Superior (H)
Tecumseh (H)
Valentine (L)
West Point (H)
York (H)

NEW HAMPSHIRE 8
Concord
Concord (B)
Dover
Franklin
Laconia
Littleton
Plymouth
Portsmouth

NEW JERSEY 31
Asbury Park

New Jersey 31 (Contd.)
Atlantic City
Berkeley (F)
Boonton
Brick Town (B)
Caldwell
Chatham (F)
Dover
East Brunswick
Flemington (F)
Florham Park (F)
Freehold
Freehold (B)
Hackettstown
Hazlet (F)
Howell (F)
Keyport
Long Branch
Millville
New Brunswick
Newton (B)
Paramus (M)
Paramus
Red Bank
Somerville (F)
Springfield
Toms River (F)
Union (F)
Verona
Vineland
Wildwood

NEW MEXICO 3
Farmington (B)
Las Vegas
Raton

NEW YORK 59
Albion
Batavia
Bayshore
Binghamton (B)
Canton
Canton (B)
Catskill
Cobleskill
Cooperstown
Corning
Cortland
Elmira
Endicott
Garden City (M)
Gloversville
Gloversville (B)
Gouverneur
Greenpoint
Hicksville
Hudson
Huntington (M)
Ithaca
Kingston (B)
Lake Grove (M)
Lake Hiawatha (F)
Lyons
Malone
Manhasset
Massena
Merrick (F)
Middletown
New York City (7)(M)
Northville
Ogdensburg
Oneonta
Ossining
Owego
Penn Yan
Perry
Plainview (F)
Salamanca
Saranac Lake
Saratoga Springs
Saugerties
Ticonderoga
Tupper Lake
Valley Stream
Valley Stream (M)
Walton
Watertown
Wellsville
Whitehall
White Plains (M)

NORTH CAROLINA 1
Monroe

NORTH DAKOTA 6
Bismarck (L)
Devil's Lake (TH)
Fargo (TH)
Grand Forks (TH)
Minot
Rugby (L)

OHIO 17
Ashland
Ashtabula
Bryan
Bucyrus
Cambridge
Chillicothe (B)
Cincinnati
Cleveland
Conneaut
Coshocton
East Palestine
Findlay (B)
Mentor
New Philadelphia
Painesville
Tiffin
Wooster

OKLAHOMA 2
Okmulgee
Sapulpa

OREGON 11
Astoria
Bend
Eugene
Medford (2)
Portland (3)
Portland (HH)
Roseburg
Salem

PENNSYLVANIA 41
Berwick
Bradford
Carbondale
Chambersburg
Coalport
Coatesville
Danville
Downingtown
DuBois
Ephrata
Forest City
Freeland
Hazelton (F)
Jim Thorpe
Jersey Shore
Kennett Square
Lansford
Lewisburg
Lock Haven
Mahanoy City
Milton
Mt. Carmel
Newport
Northampton
Oxford
Pottstown
Pottstown (B)
Renovo
Royersford
Sayre
Shamokin
Shenandoah
Somerset
Stroudsburg
Sunbury
Tamaqua
Towanda
Waynesboro
Wellsboro
Williamsport (B)
York (WT)

RHODE ISLAND 3
Newport
Warren
West Warwick

SOUTH CAROLINA 1
Camden

SOUTH DAKOTA 21
Aberdeen
Aberdeen (TH)
Belle Fourche (L)
Brookings (TH)
Chamberlain (L)
Huron
Huron (TH)
Lead
Mitchell
Mitchell (TH)
Pierre
Pierre (TH)
Rapid City
Sioux Falls
Sioux Falls (B)
Sturgis (L)
Vermillion
Watertown (TH)
Winner (L)
Yankton
Yankton (TH)

TENNESSEE 2
Gallatin
Jellico

TEXAS 7
Austin
Beaumont
Eagle Pass
El Paso (2)
Houston (B)
Houston

VERMONT 7
Barre
Bellows Falls
Newport
Springfield (B)
White River Junction (WT)
White River Junction
Windsor

VIRGINIA 9
Culpeper
Fredericksburg
Front Royal
Lexington
Salem
South Boston
Waynesboro
Winchester
Wytheville

WASHINGTON 12
Bellevue
Bellingham
Everett
Longview (B)
Renton
Richland
Seattle
Spokane (3)
Walla Walla
Yakima

WEST VIRGINIA 1
Charles Town

WISCONSIN 7
Appleton (TH)
Beloit (TH)
Eau Claire (TH)
Stevens Point (TH)
Superior (TH)
Superior
Wausau (TH)

WYOMING 7
Buffalo (H)
Douglas (H)
Gillette (H)
Laramie (H)
Newcastle (H)
Rock Springs
Wheatland (H)

Canada

ALBERTA 26
Calgary (4) (S)
Camrose (S)
Edmonton (3) (S)
Edmonton (6) (A)
Edmonton (2) (McA)
Grand Prairie (S)
Lethbridge (2) (S)
Lethbridge (2) (McA)
Medicine Hat (S)
Red Deer (McA)
Red Deer (S)
Stettler (S)
Westmount (McA)

BRITISH COLUMBIA 49
Abbotsford (S)
Burnaby (S)
Campbell River (S)
Chilliwach (S)
Cortenay (S)
Dawson Creek (S)
Haney (S)
Kamloops (S)
Kellowna (S)
Kimberley (S)
Langley (S)
Nanaimo (S)
Kerrisdale (S)
Nelson (S)
New Westminster (3) (S)
North Burnaby (2) (S)
North Delta (S)
North Surrey (S)
North Vancouver (2) (S)
Penticton (S)
Powell River (S)
Prince George (2) (S)
Prince Rupert (S)
Port Alberni (S)
Quesnel (S)
Richmond (S)
South Burnaby (S)
Terrace (S)
Trail (S)
Vancouver (9) (S)
Vernon (S)
Victoria (3) (S)
West Vancouver (S)
Williams Lake (S)

NEW BRUNSWICK 2
Bathurst (O)
Saint John (U)

ONTARIO 10
Brockville (O)
Cornwall (3) (O)
Kingston (O)
Ottawa (2) (O)
Ottawa (U)
Oshawa (O)
St. Catherine (O)

QUEBEC 98
Beaconsfield (O)
Beloeil (2) (O)
Chambly (O)
Charlesbourg (U)
Chicoutimi (U)
Chomedey (O)
City of Quebec (2) (HA)
Dollard des Ormeaux (O)
Dorval (O)
Dorval (U)
Drummondville (O)
Drummondville (U)
Duvernay (O)
Granby (O)
Granby (U)
Hull (O)
Ile Perrot (O)
Jacques Cartier (O)
Jacques Cartier (U)
Joliette (U)
Jonquiere (U)
Lachine (2) (O)
Lachine (U)
LaSalle (2) (O)
Laval (O)
Laval (U)
Longueuil (O)
Montreal (4) (U)
Montreal (13) (HA)
Montreal (17) (O)
Pierrefonds (U)
Pointe Aux Trembles (O)
Pont Viau (O)
Quebec (3) (U)
Quebec City (O)
Rimouski (2) (U)
Rimouski (O)
Rosmere (O)
Shawinigan (U)
Sherbrooke (U)
Sherbrooke (O)
Sorel (U)
St. Eustache (O)
St. Hyacinthe (U)
St. Jean (U)
St. Jerome (2) (O)
St. Laurent (2) (O)
St. Michel (O)
Trois Rivieres (2) (U)
Valleyfield (2) (U)
Verdun (3) (O)
Victoriaville (O)
Ville Emard (O)
Westmount (O)

Units in operation as of January 31, 1970

Consolidated Statements of Income and Retained Earnings

J. J. Newberry Co. and Subsidiaries

Years Ended January 31

	1970	1969
Net sales	$400,589,870	$376,098,046
Costs of merchandise sold, including occupancy and buying costs	279,846,842	264,820,213
	120,743,028	111,277,833
Selling and general expenses	106,653,816	97,893,739
Operating income	14,089,212	13,384,094
Interest expense	2,885,983	2,177,453
Income before provision for federal income taxes	11,203,229	11,206,641
Provision for federal income taxes (Note 1):		
Currently payable	4,920,000	4,759,000
Deferred, net	1,210,000	991,000
	6,130,000	5,750,000
Net income for year (Note 1)	5,073,229	5,456,641
Retained earnings, beginning of year	59,433,067	55,913,017
	64,506,296	61,369,658
Cash dividends:		
Preferred stock, $3.75 per share	355,209	367,796
Common stock, $1.00 per share in 1970; $.80 per share in 1969	1,964,198	1,568,795
	2,319,407	1,936,591
Retained earnings, end of year	$ 62,186,889	$ 59,433,067
Net income per common share (Note 2):		
Primary	$2.40	$2.59
Fully diluted	$2.25	

Depreciation and amortization of improvements to leased premises charged against income in the years ended January 31, 1970 and 1969 amounted to $4,453,000 and $4,045,000, respectively.

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheets

at January 31

	1970	1969
ASSETS:		
CURRENT ASSETS:		
Cash	$ 12,193,851	$ 8,090,413
U.S. Treasury bills, at cost plus accrued interest	7,172,054	
Accounts receivable:		
Customers, including equity of $1,071,188 and $1,007,149, respectively, in accounts sold	6,261,448	5,333,882
Other	3,234,399	2,421,559
	9,495,847	7,755,441
Less, Allowance for doubtful accounts	769,000	824,000
	8,726,847	6,931,441
Merchandise on hand and in transit, at lower of cost (principally retail method) or market	81,435,899	85,298,050
Prepaid expenses	2,358,926	2,237,048
TOTAL CURRENT ASSETS	111,887,577	102,556,952
PROPERTY AND EQUIPMENT, AT COST:		
Land	2,324,804	2,804,408
Buildings and improvements	5,328,292	5,658,186
Fixtures and equipment	48,103,202	44,523,742
Improvements to leased premises	29,770,966	27,817,967
	85,527,264	80,804,303
Less, Allowance for depreciation and amortization	39,287,369	37,105,525
	46,239,895	43,698,778
DEFERRED INCOME TAX REDUCTIONS, net (Note 3)	32,000	1,242,000
DEFERRED CHARGES AND OTHER ASSETS	3,303,236	2,463,145
EXCESS OF INVESTMENT IN SUBSIDIARIES OVER NET ASSETS ACQUIRED	5,931,000	2,845,000
	$167,393,708	$152,805,875

The accompanying notes are an integral part of the financial statements.

	1970	1969
LIABILITIES:		
CURRENT LIABILITIES:		
Canadian bank advances	$ 2,321,755	$ 1,296,476
Accounts payable and accrued liabilities	37,444,911	35,746,206
Current instalments on long-term debt (Note 4)	1,579,062	1,769,906
Reserve for store closing program (Note 5)	475,000	775,000
Federal income taxes	2,837,000	3,075,000
Deferred federal income taxes (Note 3)	807,000	766,000
TOTAL CURRENT LIABILITIES	45,464,728	43,428,588
LONG-TERM DEBT (Note 4)	26,952,454	18,531,516
RESERVE FOR STORE CLOSING PROGRAM (Note 5)	6,912,000	7,545,000
OTHER LONG-TERM LIABILITIES	2,814,527	760,525
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK (Notes 6 and 7):		
Cumulative preferred stock, par value $100 per share; authorized, 120,050 shares, issuable in series; issued and outstanding, 94,000 shares, 3¾% series (redeemable at $101.50 per share, plus accrued dividends)	9,400,000	9,505,000
Common stock, no par value; authorized, 5,000,000 shares; issued, 2,017,020 shares	13,923,971	13,864,431
RETAINED EARNINGS (Note 4)	62,186,889	59,433,067
	85,510,860	82,802,498
Less, 52,737 shares of common stock held in treasury, at cost	260,861	262,252
	85,249,999	82,540,246
	$167,393,708	$152,805,875

The accompanying notes are an integral part of the financial statements.

Notes To Financial Statements

1. The accompanying financial statements include the accounts of the Company and all subsidiaries, including six Canadian subsidiaries—United Stores of Canada, Limited, Oslind Shoppes Limited, Sweet Sixteen, Ltd., Mc Arthur's Ladies Wear Ltd., Harrison's Famous Fabrics Ltd. and Albertino's Shoes Ltd.—acquired as of April 1, 1967, February 1, 1968, August 1, 1968, February 1, 1969, July 1, 1969 and September 1, 1969, respectively. In addition, two domestic subsidiaries—Tradehome Shoe Stores, Inc. and Maternally Yours, Inc.—were acquired as of August 1, 1969 and September 1, 1969, respectively.

The purchase agreements underlying the acquisitions of these companies provide for contingent future payments not to exceed $5,987,000 based on earnings (as defined) for periods ending approximately three to five years from the respective dates of acquisition. At January 31, 1970, the Company has accrued $1,047,000 for contingent payments under these agreements based on earnings (as defined) through that date.

The sellers of four of these companies have the option of receiving cash or common stock of the Company (see Note 7).

For financial reporting purposes, the acquisitions of the six Canadian and two domestic subsidiaries have been treated as purchases. Accordingly, the operations of these subsidiaries have been included in the consolidated statements of income from the respective dates of acquisition. In this connection, net sales and net income (loss) of the six Canadian subsidiaries aggregated $33,388,000 and ($1,110,000), respectively, for 1970 and $24,192,000 and $122,000, respectively, for 1969.

With respect to certain Canadian subsidiaries, in the determination of consolidated net income for the year ended January 31, 1970 no recognition has been given to the prospective tax benefits related to tax loss carry-forwards approximating $1,240,000. Such tax benefits will be reflected in net income when and if realized.

At January 31, 1970, the net assets of all Canadian subsidiaries aggregated $5,780,000.

2. Primary net income per share was based on the average shares outstanding in the respective years. Giving effect to the prospective issuance of shares, as appropriate, under the various Company stock plans, and to the exercise of warrants (Note 7), and to the issuance of contingent shares in connection with the acquisition of certain subsidiaries (Note 1) would either have an anti-dilutive or immaterial effect on primary net income per share. Fully diluted net income per share has been computed by giving effect to the potential conversion of the Convertible Subordinated Debentures which were issued as of August 1, 1969 (Notes 4 and 7).

3. For financial reporting purposes, on a recurring basis:

a) Profits from all sales are recognized at time of sale; and

b) Depreciation on property and equipment is provided principally on the straight-line basis.

For tax reporting purposes, the corresponding accounting practices are to:

a) Defer profits on certain credit sales to future periods by use of the instalment method of accounting; and

b) Provide for depreciation by use of accelerated methods.

Accordingly, current operations are charged for income taxes deferred to future periods which are directly related to the aforementioned differences of reporting income for financial and tax purposes.

Deferred federal income taxes comprised:

	January 31, 1970	January 31, 1969
Deferred income tax reductions, net—noncurrent:		
Related to store closing program (Note 5)	$3,318,000	$3,622,000
Other	1,140,000	913,000
Less, deferred tax credits principally resulting from use of accelerated depreciation methods	4,426,000	3,293,000
	$ 32,000	$1,242,000
Deferred income taxes, net—current:		
Applicable to gross profit on instalment sales	$1,035,000	$1,138,000
Less, tax reduction related to store closing program (Note 5)	228,000	372,000
	$ 807,000	$ 766,000

4. At January 31, 1970, long-term debt comprised:

	Current	Noncurrent	Total
Mortgages Payable	$ 18,697	$ 106,061	$ 124,758
3¾% Sinking Fund Notes, payable to May 15, 1976	500,000	5,000,000	5,500,000
3⅛% Notes, payable from January, 1971 to 1975	27,365	478,393	505,758
5¼% Subordinated Notes, payable from October, 1970 to 1981	1,033,000	11,368,000	12,401,000
6½% Convertible Subordinated Debentures due August 1, 1994	—	10,000,000	10,000,000
	$1,579,062	$26,952,454	$28,531,516

The mortgages, bearing interest at rates of 4½% and 5%, are payable in various amounts through July 1, 1976.

The sinking fund note indenture provides for annual sinking fund payments of $500,000 through May 15, 1975, and the balance of $2,500,000 payable on May 15, 1976. The Company has the option of making certain additional sinking fund payments annually, without premium.

Certain prepayment privileges are available to the Company with respect to the long-term notes payable which provide for declining premium payments.

As of August 1, 1969, the Company sold $10,000,000 of 6½% convertible subordinated debentures, due August 1, 1994. Unless previously redeemed, the debentures may be converted, at the option of the holder, into shares of common stock of the Company at the conversion price of $30.00 per share. Annual sinking fund payments of $500,000 are required in each year beginning with 1980 (subject to reduction for the principal amount of any debentures redeemed, surrendered for conversion, or otherwise acquired by the Company). The Company has the non-cumulative option of making additional sinking fund payments annually, commencing in 1975. The debentures are subject to redemption at (a) the principal amount, if redeemed through the operation of the sinking fund or (b) at any time, at the election of the Company, at amounts equal to a percentage of principal, on a declining scale, ranging from 106.125% in 1970 to 100.25% in 1988, and 100% thereafter.

The notes, supplemental agreements and debentures contain certain covenants restricting the amount of retained earnings available for the payment of cash dividends or for acquisition of the Company's capital stock. At January 31, 1970, the amount of retained earnings free of such restrictions was approximately $9,000,000.

5. During the year ended January 31, 1967, the Company's Board of Directors authorized the adoption of a program to dispose of certain unprofitable stores in that and subsequent years. Extraordinary, nonrecurring charges incurred in connection with such store closing program are charged to the reserve previously provided for that purpose.

6. On June 11, 1968, the stockholders approved amendments to the Company's Certificate of Incorporation which provided for: (a) authorization of a new class of 1,500,000 shares of subordinate preferred stock, issuable in series with designations, rights and preferences to be fixed by the Board of Directors at the time of issuance; no shares of this class of stock have been issued; and (b) establishment of a sinking fund to be used for the purchase or redemption annually of 2,500 shares of outstanding 3¾% cumulative preferred stock. During the year ended January 31, 1970, the Company purchased 1,050 shares of this latter class of stock for sinking fund purposes. The excess ($50,050) of par value over cost of the preferred stock acquired has been credited to capital surplus, which is included in the common stock account.

7. At January 31, 1970, 140,000 shares of common stock are reserved for issuance under the Company's Incentive Stock Plan. The plan, which was adopted by the Board of Directors on September 22, 1969 and which will be submitted to the stockholders for approval at their next meeting, provides that eligible employees may elect to defer certain portions of their compensation toward investment in the Company's common stock at prices approximating current fair market value. Additional shares are contributed by the Company to the extent of 40% of the shares purchased by participants; such additional contribution vests to the extent of 20% annually, on a cumulative basis. As of January 31, 1970, 12,289 shares were purchased by employees and 4,915 shares were contributed by the Company. All shares are generally issuable only upon retirement or termination of employment; in this connection, no shares were issued during the year ended January 31, 1970.

At January 31, 1970, 54,765 shares of common stock are reserved for issuance under the Company's Stock Option Plan for Key Employees. The plan authorized the granting of options to key employees to purchase shares of common stock for 110% of the fair market value at the date of grant. Options expire five years from date of grant, and generally become initially exercisable two years from date of grant to the extent of 20% annually (on a cumulative basis). During the year ended January 31, 1970, options for 2,500 shares were cancelled. At January 31, 1970, options for 54,765 shares at $19.94 per share are outstanding; no further options may be granted under the plan.

At January 31, 1970, 4,404 shares of common stock are reserved for future issuance under the Incentive Stock Bonus Plan; during the year ended January 31, 1970, 281 shares were issued to eligible participants. The excess ($9,490) of fair market value of these shares at date issued over the cost of treasury shares distributed has been credited to the common stock account.

At January 31, 1970, 174,044 shares of common stock are reserved for warrants, expiring on October 1, 1981, to purchase common stock at a price of $46.31 per share; no warrants were exercised during the year ended January 31, 1970.

At January 31, 1970, 77,310 shares of common stock are reserved in connection with the acquisition of certain subsidiaries (see Note 1).

At January 31, 1970, 333,333 shares of common stock are reserved for issuance upon conversion of the 6½% Convertible Subordinated Debentures (see Note 4).

8. At January 31, 1970, the Company had long-term leases on buildings, fixtures and equipment expiring between 1974 and 2047 (without consideration of renewals). Minimum aggregate annual rentals under such leases, exclusive of realty taxes and other charges, approximate $22,200,000. Certain of the leases provide for additional rentals based upon sales.

9. The Company and all domestic and one Canadian subsidiary have contributory trusteed (self-administered for Canadian subsidiary) retirement plans for all eligible employees which provide for retirement benefits based on age, earnings and length of service. Pension costs under these plans approximated $410,000 (before income tax effect) for each of the years ended January 31, 1970 and 1969. The Company policy is to fund pension cost accrued.

10 Year Summary Highlights

Dollar Amounts (Except Per Share Earnings and Book Values) Shown in Thousands.

YEAR‡	1969	1968	1967	1966	1965	1964
Number of units	747	664	544	529	548	575
Sales	$ 400,590	$ 376,098	$ 360,318	$ 353,868	$ 355,667	$ 336,281
Earnings before federal taxes	$ 11,203	$ 11,207	$ 9,119	$ 6,688	$ 6,895	$ 2,894
Net earnings after federal taxes (Note 1)	$ 5,073	$ 5,457	$ 5,034	$ 4,403	$ 4,413	$ 2,015
Net earnings per share (Notes 1 and 2)	$ 2.40	$ 2.59	$ 2.38	$ 2.06	$ 2.08	$ 0.85
Shares of common stock outstanding	1,964,283	1,964,002	1,956,613	1,956,529	1,888,690	1,874,583
Merchandise inventories	$ 81,436	$ 85,298	$ 80,922	$ 72,768	$ 77,082	$ 68,310
Common stockholders' equity	$ 75,850	$ 73,035	$ 69,165	$ 65,678	$ 68,328	$ 64,753
Book value per share of common stock	$ 38.61	$ 37.19	$ 35.35	$ 33.57	$ 35.12	$ 33.54
Ratio of current assets to current liabilities	2.5	2.4	2.6	3.0	3.3	3.6

Note 1—Exclusive of special items, net of tax effects, amounting to a charge in 1966 of $6,876 ($3.51 per share); a credit in 1964 of $338 ($0.18); a charge in 1963 of $2,220 ($1.15 per share); and credits in 1962 of $455 ($0.24 per share) and in 1961 of $1,206 ($0.64 per share).

Note 2—Fully diluted earnings, giving effect to the potential conversion of the Convertible Subordinated Debentures which were issued as of August 1, 1969, amounts to $2.25 per common share in 1969.

*Indicates loss.

‡1965 through 1969 are years ended January 31st of the subsequent year; 1960 through 1964 are years ended December 31st.

1963	1962	1961	1960
574	567	564	559
$ 319,344	$ 312,511	$ 291,237	$ 265,818
$ 3,856*	$ 3,639	$ 6,567	$ 9,390
$ 2,556*	$ 1,929	$ 3,486	$ 4,779
$ 1.53*	$ 0.82	$ 1.65	$ 2.35
1,860,017	1,843,915	1,831,620	1,816,719
$ 74,480	$ 84,772	$ 74,978	$ 60,481
$ 62,511	$ 67,665	$ 68,885	$ 67,729
$ 32.63	$ 35.63	$ 36.51	$ 36.20
2.7	2.9	3.5	3.3

Auditors' Report

To the Board of Directors and Stockholders,

J. J. NEWBERRY CO.:

We have examined the consolidated balance sheet of J. J. NEWBERRY CO. and SUBSIDIARIES as of January 31, 1970 and the related consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year ended January 31, 1969.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of J. J. Newberry Co. and Subsidiaries at January 31, 1970 and 1969, and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

We have made a similar examination of the consolidated statement of source and application of funds which, in our opinion, when considered in relation to the basic financial statements, presents fairly the source and application of funds of J. J. Newberry Co. and Subsidiaries for the year ended January 31, 1970.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, March 20, 1970.

Consolidated Statement of Source and Application of Funds

Year ended January 31

J. J. Newberry Co. and Subsidiaries

		1970
SOURCE:		
Net income		$ 5,073,229
Depreciation and amortization		4,453,064
Net increase in long-term debt and other long-term liabilities		10,474,940
Deferred income taxes		1,210,000
		$ 21,211,233
APPLICATION:		
Net additions to property and equipment, less dispositions in connection with store closing program of $497,000		$ 6,376,612
Property and equipment of subsidiaries at respective dates of acquisition		617,569
Increase in excess of investment in subsidiaries over net assets acquired		3,086,000
Cash dividends:		
Common stock	$ 1,964,198	
Preferred stock	355,209	2,319,407
Increase in deferred charges and other assets		840,091
Reduction in non-current reserve for extraordinary losses in connection with store closing program		633,000
Net decrease in capital stock		44,069
Increase in working capital		7,294,485
		$ 21,211,233

Officers and Directors

OFFICERS:

President, W. C. STRAUS

Executive Vice-President, D. D. MILIUS

Senior Vice-President, J. J. NEWBERRY, JR.

Financial Vice-President, E. W. FORSMAN

Vice-Presidents:

- G. L. KELLY, Britts Division
- A. E. BAXTER, Department Stores Division
- T. M. WILLIAMS, Variety Stores Division
- L. A. RAPHAEL, Canadian Operations
- W. H. JONES, Food Service
- W. J. O'BRIEN, Real Estate
- H. D. ELLSWORTH, Personnel
- F. J. PORTER, Merchandising and Sales Promotion
- H. D. VON OESEN, Financial Planning

Treasurer, E. H. SCHROEDER

Secretary, M. G. PALLISTER

Controller, J. A. HEELY

Assistant Treasurer, C. W. HALL

Assistant Secretary, R. J. HARLOW

Assistant Controller, W. R. HOLLOWAY

DIRECTORS:

D. S. CAMPBELL

J. D. FARRELL

B. R. GORDON

P. F. LEACH

R. W. MEYER

D. D. MILIUS

L. D. MILTIMORE

F. S. NEWBERRY

J. J. NEWBERRY, JR.

M. G. PALLISTER

W. C. STRAUS, Chairman

J. H. TAGGART

T. L. ZIMMERMAN

EXECUTIVE OFFICES
245 Fifth Ave., New York, New York 10016

TRANSFER AGENT
The Chase Manhattan Bank, N.A.

REGISTRAR
Morgan Guaranty Trust Co. of New York

AUDITORS
Lybrand, Ross Bros. & Montgomery